

R 120918Z JUN 09
FM AMEMBASSY BEIJING
TO SECSTATE WASHDC 4493
DEPT OF COMMERCE WASHDC

UNCLAS BEIJING 001588

STATE PASS USTR FOR STRATFORD, WINELAND
COMMERCE FOR MO'NEILL, IKASOFF, NMELCHER, APING
STATE FOR EEB/CIP/BA SAEED

E.O. 12958 N/A
TAGS: [ECPS](#) [EIND](#) [ECON](#) [CH](#)
SUBJECT: APPLE IPHONE FACING LICENSING ISSUES IN CHINA

¶1. (SBU) Summary. Apple Corporation representatives told Emboffs on June 11 that the Ministry of Industry and Information Technology (MIIT) has refused to accept the company's application for a license critical to introducing the iPhone in China, effectively continuing to shut the iPhone out of the Chinese market. Apple suspects competitive issues between China's mobile service providers are at the heart of the issue. End Summary.

¶2. (SBU) Apple Corporation Vice President and General Manager of Asia Brian Lu told FCS and Econ officers June 11 that the Ministry of Industry and Information Technology (MIIT), on June 10, had refused to accept the company's application for a network application license to sell its iconic iPhone in China. Apple was told that, because the licensing of the iPhone is a "sensitive issue," higher levels within MIIT would have to approve the submission.

¶3. (SBU) As background, Lu explained Apple has been working for nearly two years to develop an iPhone for the Chinese market. He said the company had already received two of the four licenses/certificates necessary to introduce the phone. The network application license is the most critical of the four as it will allow the iPhone to access China's mobile phone network.

¶4. (SBU) Lu said he suspects competitive issues between two of China's mobile service providers, China Mobile and China Telecom, may be the reason for the refusal. China Mobile, the country's largest mobile service provider, uses China's homegrown third generation (3G) technology standard, TD-SCDMA. China Telecom uses the European standard, WCDMA. iPhone is only compatible with WCDMA. If the iPhone is introduced in China, it has the potential to lure large numbers of users away from China Mobile to China Telecom. Lu believes China Mobile is therefore putting pressure on MIIT not to issue Apple a network application license thereby blocking its entry into the market.

¶5. (SBU) Apple requested USG assistance and advocacy on this matter. Emboffs requested meetings with MIIT officials on Friday June 12 to seek clarification of the issue, but MIIT officers have thus far not responded to our requests for a meeting. At the same time, Emboffs encouraged Apple to contact DOC's Advocacy Center to formally request USG advocacy.